

EXHIBIT 2

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the year ended December 31, 2021

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number: 001-34511

FORTINET, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

77-0560389
(I.R.S. Employer
Identification No.)

899 Kifer Road
Sunnyvale, California 94086
(Address of principal executive offices, including zip code)

(408) 235-7700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.001 Par Value	FTNT	The Nasdaq Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 (“Exchange Act”) during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
		Smaller reporting company	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Emerging growth company	<input type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant, as of June 30, 2021, the last business day of the registrant’s most recently completed second quarter, was \$25,503,578,291 (based on the closing price for shares of the registrant’s common stock as reported by The Nasdaq Global Select Market on that date). Shares of common stock held by each executive officer, director, and holder of 5% or more of the registrant’s outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of February 18, 2022, there were 160,815,446 shares of the registrant’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s definitive Proxy Statement relating to its 2022 Annual Meeting of Stockholders (“Proxy Statement”) are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. Such Proxy Statement will be filed with the United States Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates.

FortiGuard security services are provided from our FortiGuard Labs and cloud-delivered to provide real-time unified protection across network endpoint and cloud.

- **Support and Professional Services**—Fortinet offers technical support, FortiOS updates, and extended product warranty through our FortiCare support services. In addition to our technical support services, we offer a range of advanced services, including premium support, professional services and expedited warranty replacement. Our professional service offerings include resident engineers and professional service consultants for implementations or trainings.

During our year ended December 31, 2021, we generated total revenue of \$3.34 billion and net income of \$606.8 million. See Part II, Item 8 of this Annual Report on Form 10-K for more information on our consolidated balance sheets as of December 31, 2021 and 2020 and our consolidated statements of income, comprehensive income, equity, and cash flows for each of the three years ended December 31, 2021, 2020 and 2019.

We were incorporated in Delaware in November 2000. Our principal executive office is located at 899 Kifer Road, Sunnyvale, California 94086 and our telephone number at that location is (408) 235-7700.

Consolidation of Technology and Architecture

Cybersecurity has traditionally been deployed one solution at a time and not designed to work well with other deployed solutions while also increasing management complexity. A Fortinet Security Fabric cybersecurity mesh platform approach consolidates point products into a platform, allowing for much tighter integration, increased automation and a more rapid, coordinated, and effective response to threats across the network. The Fortinet Security Fabric has an open architecture designed to integrate Fortinet solutions and third-party solutions.

Our product offerings consist of our FortiGate network security products and our non-FortiGate products, which are offered in a broad range of form factors spanning physical appliances, virtual appliances, software and cloud-hosted services. This enables Fortinet to protect customers across all edges and deployment scenarios including users, devices, networks, cloud, and virtual data center. Our cloud- and hosted- products and services include sandboxing, endpoint detection and response (“EDR”), email security, web application and API security, and cloud networking security as well as Fortinet Security Fabric management and analytics. Additionally, we offer cloud-delivered and hosted-security services. Our FortiGuard security services are enabled by FortiGuard Labs, which provides threat research and artificial intelligence capabilities from a cloud network to deliver protection through FortiGate appliance and virtual machine as well as Fortinet Security Fabric products that are registered by the end-customer. All these are combined to form the Fortinet Security Fabric cybersecurity mesh platform, which is an approach to security that consolidates discrete security solutions together into an integrated offering. This integrated approach to security extends across both Fortinet developed solutions and a broad ecosystem of technology partner solutions and technologies.

SPU

Our proprietary SPUs are application-specific integrated circuits (“ASICs”) that include (i) the content processor (“SPU CP”), (ii) the network processor (“SPU NP”) and (iii) the system-on-a-chip (“SPU SoC”). Our SPUs are embedded in our physical FortiGate appliances and are designed to enhance the security processing capabilities of our operating system by accelerating computationally intensive tasks such as firewall policy enforcement, SD-WAN, network address translation, IPS, threat detection and encryption while also converging security capabilities with networking functionality. We also provide virtualized security processing units (“vSPUs”) across our FortiGate virtual appliances.

The use of SPUs allows our appliances to consolidate security functionality and converge security with a minimal impact to network throughput performance, which we believe delivers a lower total cost of ownership (“TCO”) to our customers. As the security needs and technologies of our end-customers increase, we believe our TCO-driven SPU approach give our products a competitive advantage against other architectural approaches.

Entry-level FortiGate products often use the SPU SoC to provide the necessary acceleration at this level. Mid-range FortiGate products use a central processing unit (“CPU”) and include the SPU NP and SPU CP hardware acceleration. The high-end FortiGate products use multiple CPUs, SPU CPs and SPU NPs.

FortiOS

FortiOS, its associated security and networking functions and products that run or are integrated with FortiOS are combined to form the Fortinet Security Fabric cybersecurity mesh platform. This approach to security ties discrete security solutions together into an integrated offering.

corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity, and our research and development and data center in Burnaby, Canada, from which we deliver to customers our FortiGuard and other security subscription updates, is subject to the risk of flooding and is also in a region known for seismic activity. Any earthquake in the Bay Area or Burnaby, or flooding in Burnaby, could materially negatively impact our ability to provide products and services, such as FortiCare support and FortiGuard subscription services and could otherwise materially negatively impact our business. In addition, natural disasters could affect our manufacturing vendors, suppliers or logistics providers' ability to perform services, such as obtaining product components and manufacturing products, or performing or assisting with shipments, on a timely basis, as well as our customers' ability to order from us and our employees' ability to perform their duties. For example, a typhoon in Taiwan could materially negatively impact our ability to ship products and could result in delays and reductions in billings and revenues, and the COVID-19 pandemic will negatively impact our ability to manufacture and ship products, possibly in a material way, and could result in delays and reductions in billings and revenues, also possibly in a material way. The impact of climate change could affect economies in ways that negatively impact us and our results of operations. In the event our or our service providers' information technology systems or manufacturing or logistics abilities are hindered by any of the events discussed above, shipments could be delayed, resulting in our missing financial targets, such as revenue and shipment targets, for a particular quarter. In addition, regional instability, international disputes, wars and other acts of aggression, civil and political unrest, labor disruptions, rebellions, acts of terrorism and other geo-political unrest could cause disruptions in our business or the business of our manufacturers, suppliers, logistics providers, partners or end-customers, or of the economy as a whole. Given our typical concentration of sales at the end of each quarter, any disruption in the business of our manufacturers, logistics providers, partners or end-customers that impacts sales at the end of our quarter could have a significant adverse impact on our quarterly results. To the extent that any of the above results in security risks to our customers, delays or cancellations of customer orders, the delay of the manufacture, deployment or shipment of our products or interruption or downtime of our services, our business, financial condition and results of operations would be adversely affected.

Changes in financial accounting standards may cause adverse unexpected fluctuations and affect our reported results of operations.

A change in accounting standards or practices, and varying interpretations of existing or new accounting pronouncements, as well as significant costs incurred or that may be incurred to adopt and to comply with these new pronouncements, could have a significant effect on our reported financial results or the way we conduct our business. If we do not ensure that our systems and processes are aligned with the new standards, we could encounter difficulties generating quarterly and annual financial statements in a timely manner, which could have an adverse effect on our business, our ability to meet our reporting obligations and compliance with internal control requirements.

Management will continue to make judgments and assumptions based on our interpretation of new standards. If our circumstances change or if actual circumstances differ from our assumptions, our operating results may be adversely affected and could fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our common stock. Further, marketable equity investments are required to be measured at fair value (with subsequent changes in fair value recognized in net income), which may increase the volatility of our earnings.

ITEM 1B. Unresolved Staff Comments

Not applicable.

ITEM 2. Properties

Our corporate headquarters is located in Sunnyvale, California and comprises approximately 390,000 square feet of building space on twenty acres of land. Along with our corporate headquarters, as of December 31, 2021, we own approximately 290,000 square feet in Union City, California, used for manufacturing assembly and operations; approximately 460,000 square feet of office space in Burnaby and Ottawa, Canada, used for operations, support and research and development work; approximately 100,000 square feet of office space in Florida; approximately 90,000 square feet of office space in Texas; and approximately 70,000 square feet of office space in Valbonne, France, predominantly used for sales and support. We also own additional building space in Sunnyvale and Union City, California, for future development of approximately 140,000 square feet.

We maintain additional leased offices throughout the world, predominantly used as sales and support offices. We believe that our existing properties are sufficient and suitable to meet our current needs. We intend to expand our facilities or add new facilities to support our future growth and enter new geographic markets, and we believe that suitable additional or alternative space will be available or can be developed as needed to accommodate ongoing operations and any such growth.